



Financial Statements
Release 2016
3 February 2017

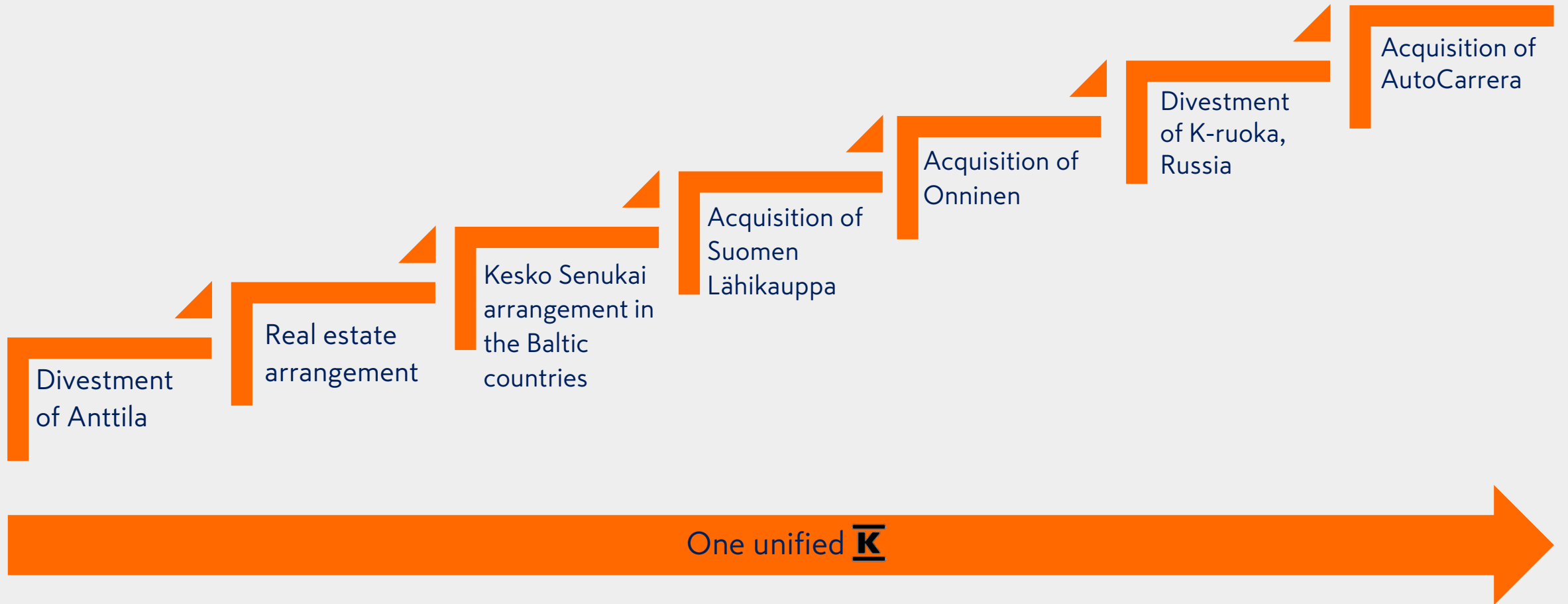
Jukka Erlund

K

Kesko's year of renewal 2016

- Net sales turned to significant growth and profitability improved
- Grocery trade strategy progressed strongly
 - Reform of K-Market and K-Citymarket chains
 - Over 400 stores to the K-Group from the acquisition of Suomen Lähikauppa
- New building and technical trade division
 - Acquisition of Onninen significantly strengthened competitiveness in B2B trade
 - Strong growth strategy of new Kesko Senukai in the Baltics
- Significant progress in digital services: food ecommerce, K-ruoka app, K-rauta.fi, Caara.fi, digitalised Plussa, etc.

Strategy Implementation is Progressing



Key performance indicators 2016

	2016	2015
Net sales, €m	10,180	8,679
Net sales growth, %	+17.3	-4.3
Operating profit*, €m	272.9	244.5
Operating margin*, %	2.7	2.8
Profit before tax*, €m	271.4	237.9
Earnings / share*, €	2.01	1.70
Return on capital employed*, %	11.9	11.7
Return on equity*, %	9.8	8.2

*Comparable

K-Group today

- K-Group's sales* €13.2bn
- Personnel around 45,000
- Operations in nine countries
- Third biggest retail operator in Northern Europe
- 1,088 K-retailer entrepreneurs in Finland
- One of Finland's most significant employers and taxpayers

*Pro forma





Q4/2016

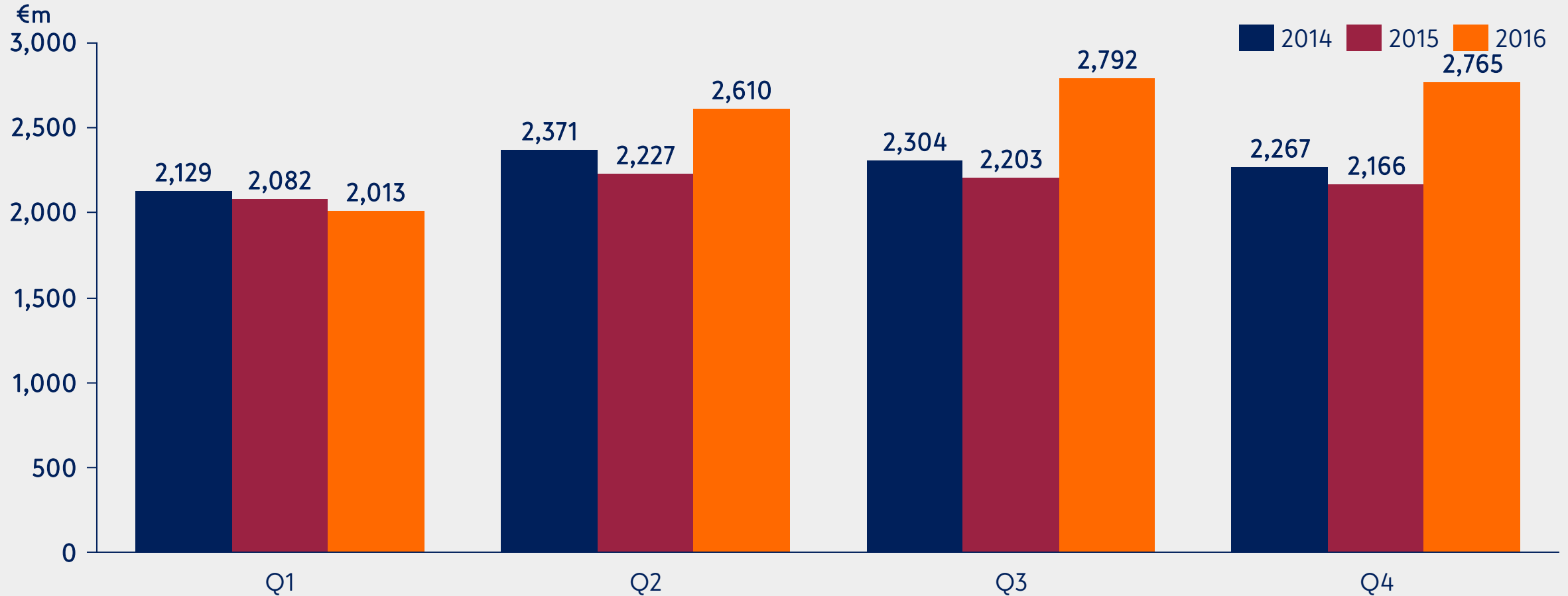


Key Q4 highlights

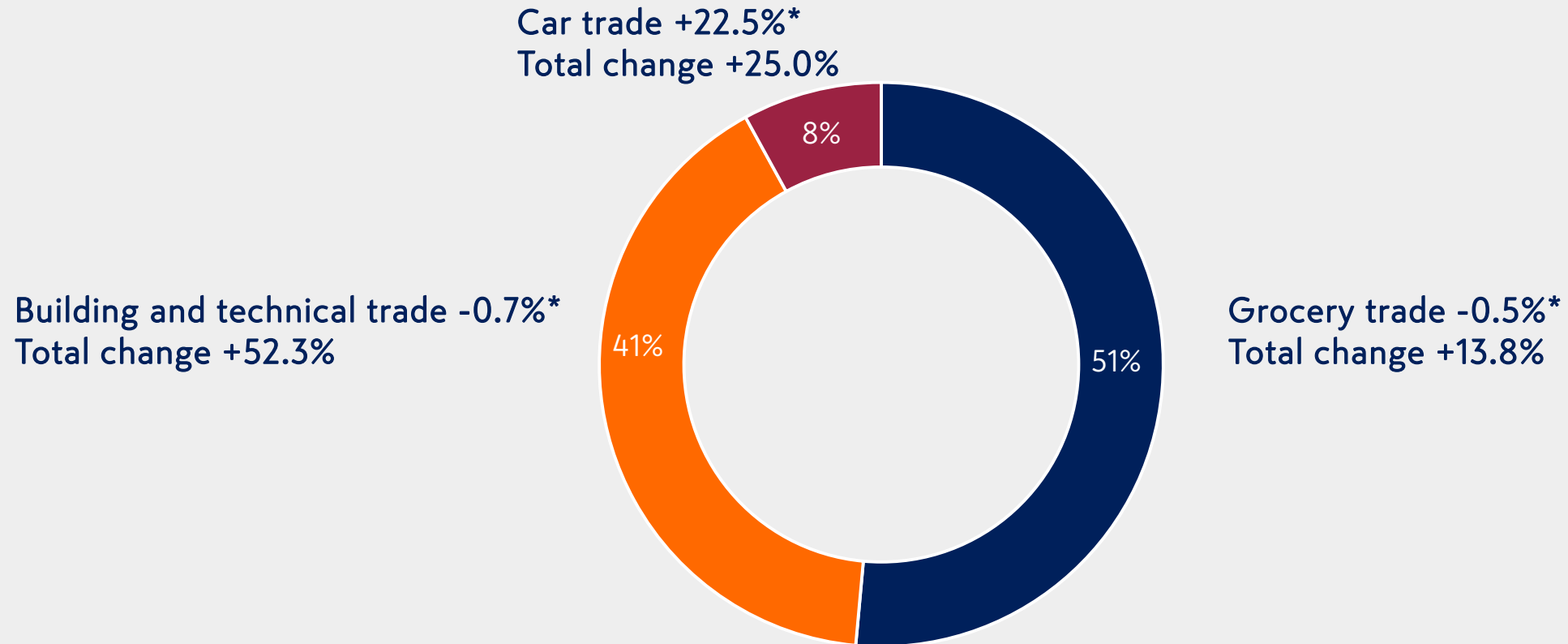
- Growth of net sales and comparable operating profit continued
- Reform of K-Market and K-Citymarket chains strengthened sales growth
- Sale of Russian grocery trade was completed in November
- Market share of the building and technical trade continued to grow
- In the car trade, sales increased and profitability improved markedly
- Acquisition of AutoCarrera was completed – Finnish Porsche business to Kesko

Net sales by quarter

Q4 growth 27.6%, in local currencies excl. acquisitions 1.2%



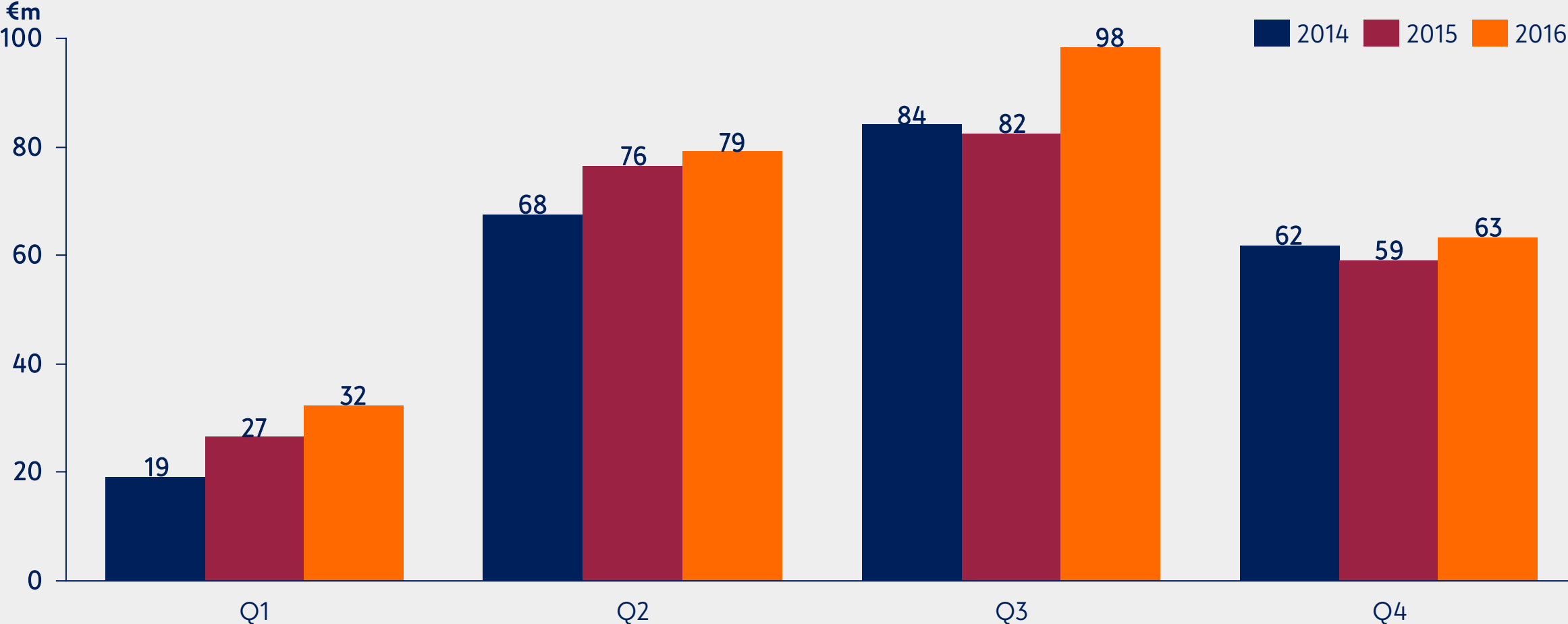
Q4/2016 net sales by division



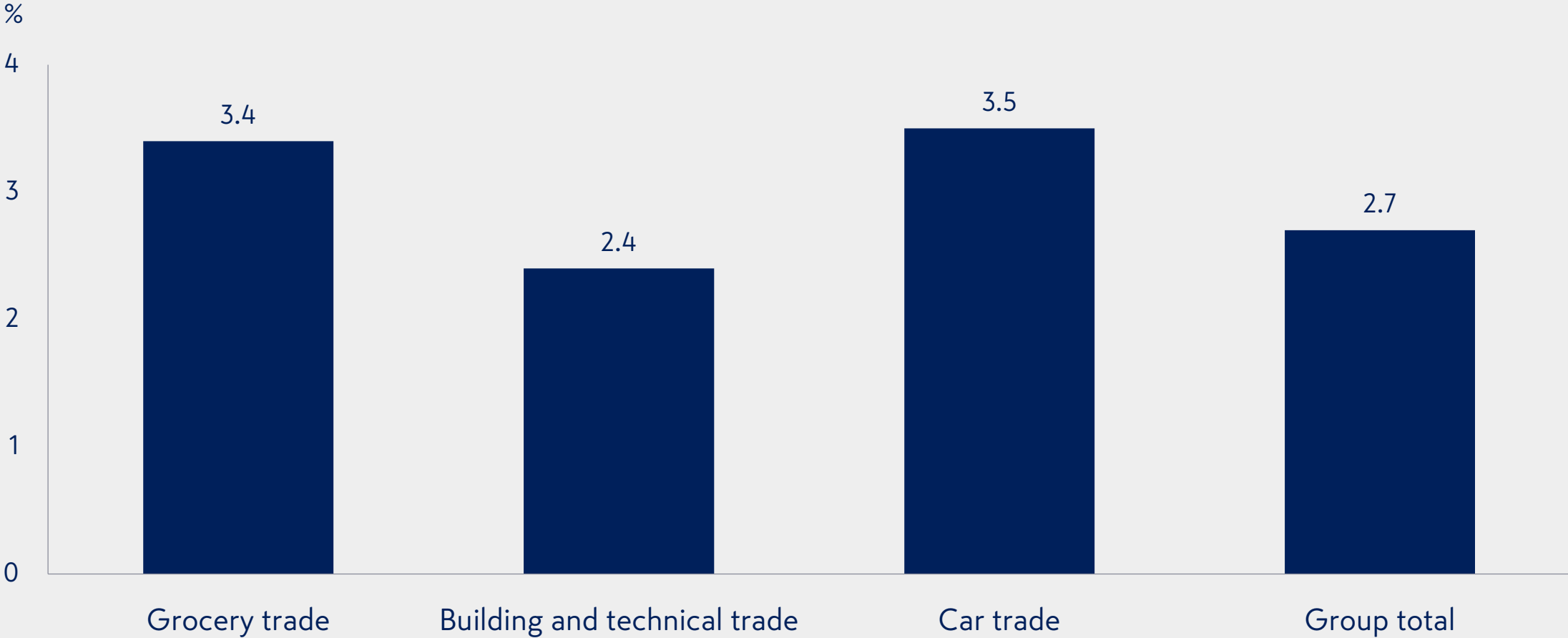
*In local currencies excl. acquisitions

Operating profit

Comparable, by quarter



Operating Margin in Divisions – Potential for Further Growth comparable

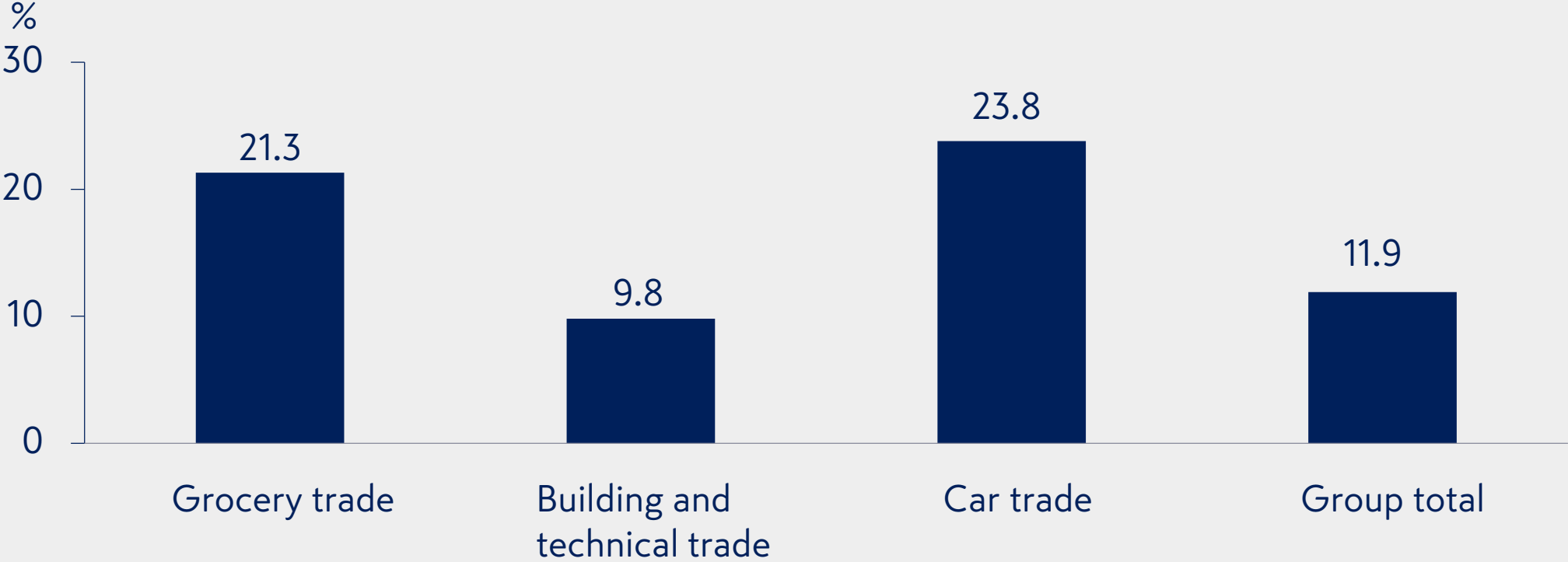


Return on capital employed comparable



ROCE by Division

comparable



Strong financial position

	31.12.2016	31.12.2015
Equity ratio, %	48.6	54.7
Liquid assets, €m	391	887
Interest-bearing net debt, €m	123	-448
Cash flow from operating activities, Q4, €m	108	123
Cash flow from investing activities, Q4, €m	76	-71



Grocery trade



Kesko's Grocery Trade

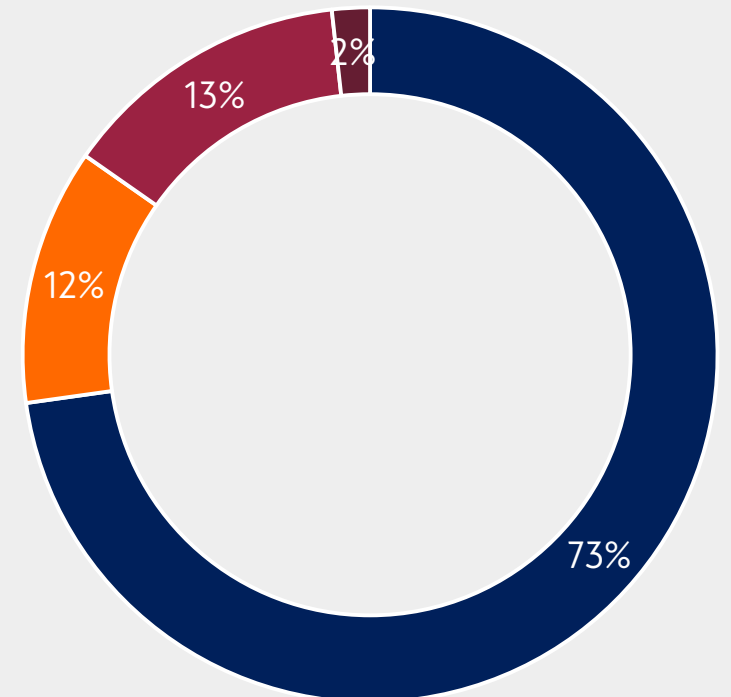
2016

Net sales	€5,236m
Operating profit*	€176m
Operating margin*	3.4%
ROCE*	21.3%

* comparable

Total market €16.6bn in 2015

Net sales 2016



■ Finland ■ SLK ■ Kespro ■ Russia

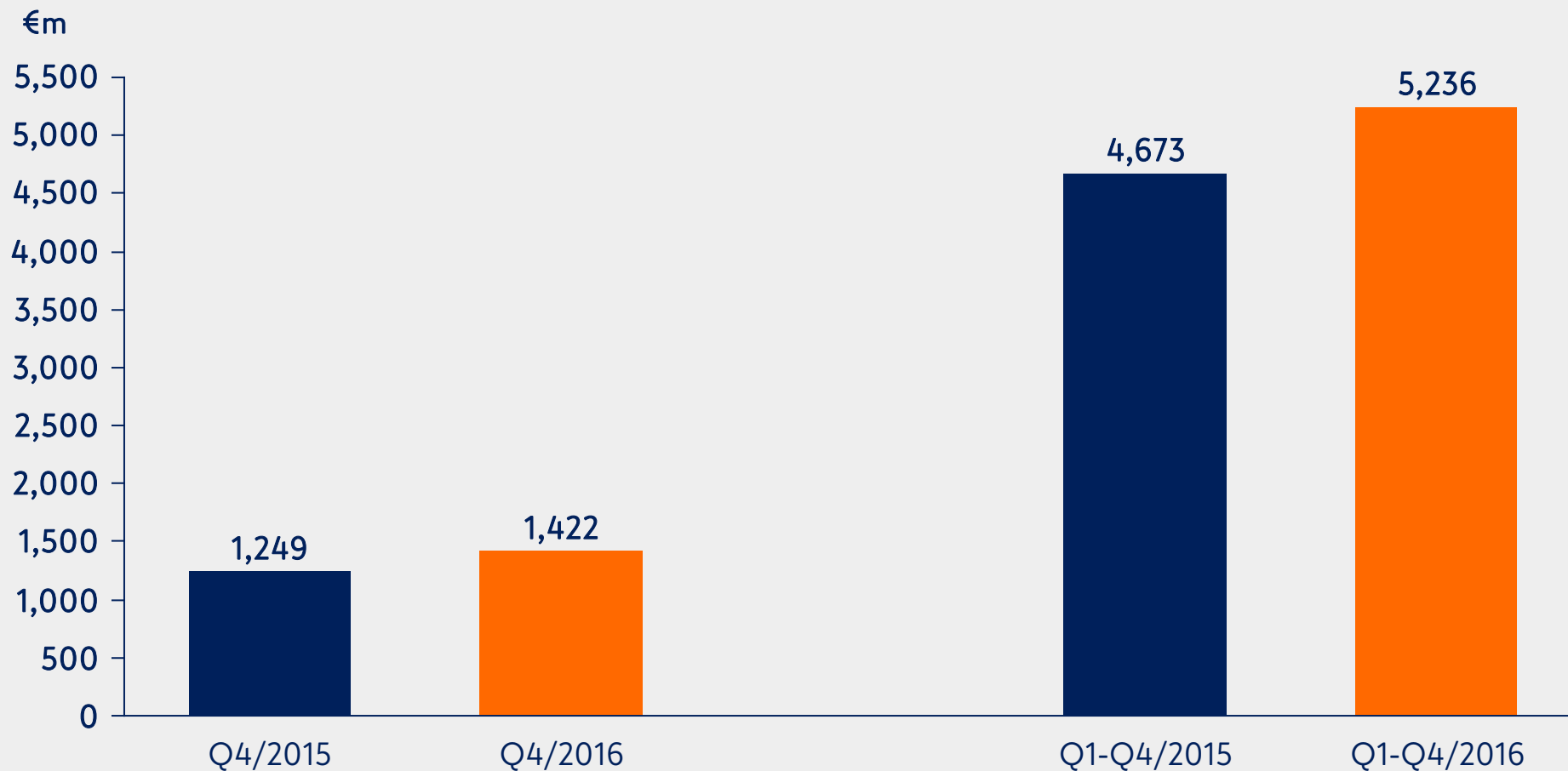
Grocery trade in Q4

- K-Group's grocery sales +16.0%, in comparable terms excluding Suomen Lähikauppa +1.3%
- Profitability at a good level due to retail sales growth, enhancement actions and synergies
- Grocery market price change -0.2%
- By now, 283 Siwas and Valintatalos converted into K-Markets
 - Sales +13% compared to pre-conversion performance
- Food trade business operations in Russia were sold

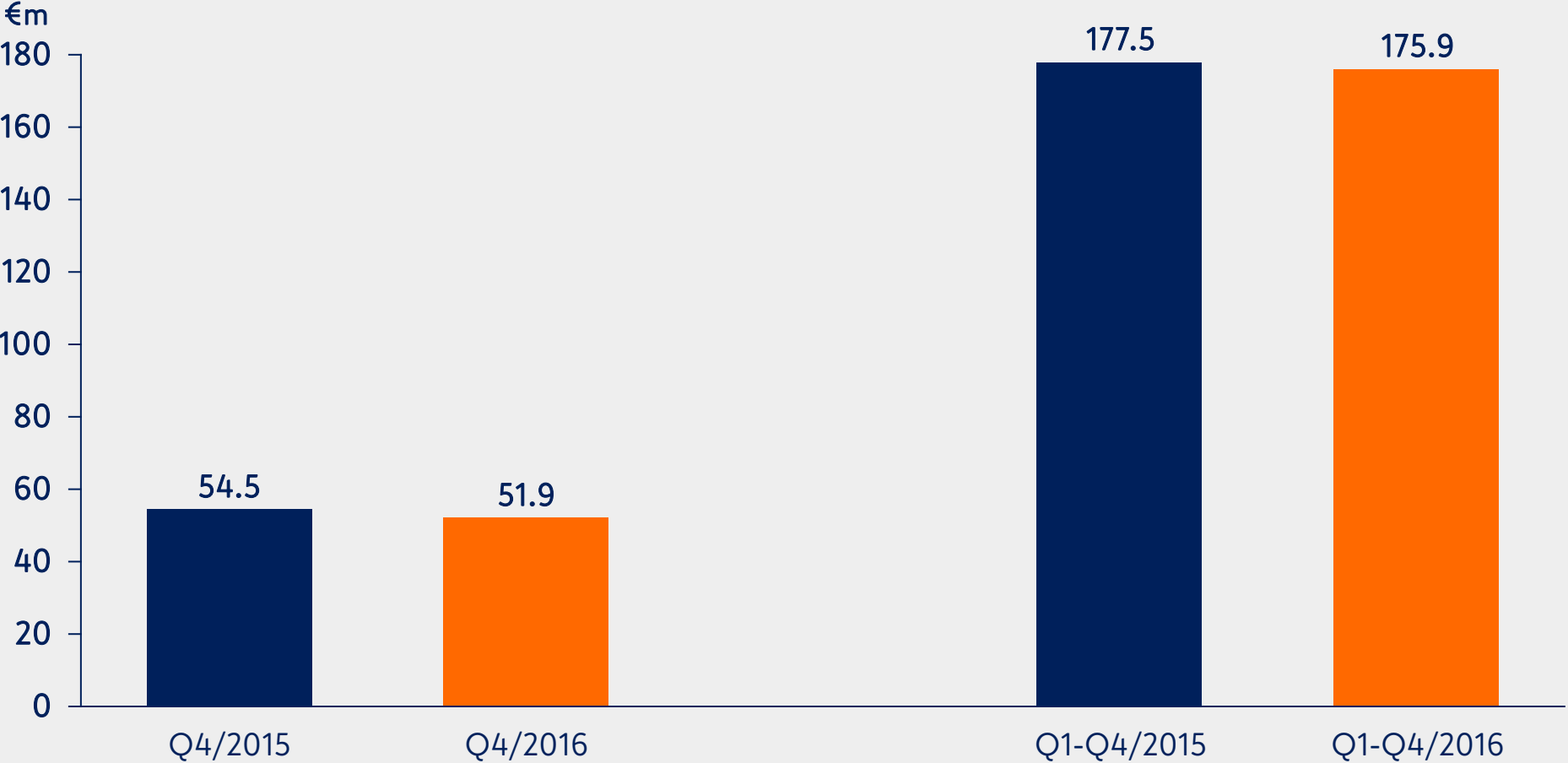


Net sales

Q4 growth 13.8%



Operating profit comparable



K-food stores' market position strengthened

- Over 400 Siwas and Valintatalos of Suomen Lähikauppa will be converted into K-Markets by spring 2017
- Significant changes in the Siwa and Valintatalo store network in 2016 vs. 2015
 - Around 100 fewer Siwas and Valintatalos
 - Impact of liberalised opening hours and clearance sales in conversions
- Market share of the K-Group's grocery trade is estimated at 37-38%





Building and technical trade



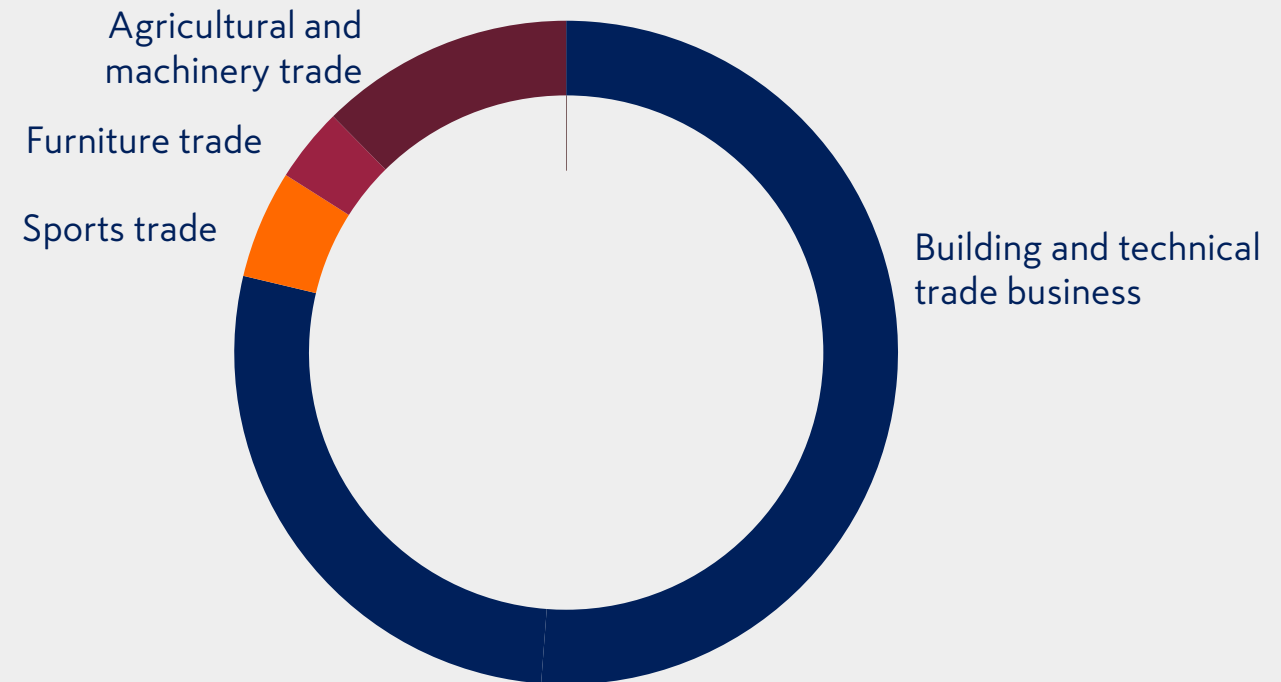
Building and Technical Trade Division

2016

Net sales	€4,100m
Operating profit*	€98m
Operating margin*	2.4%
ROCE*	9.8%

* comparable

Retail sales 2016 (pro forma)



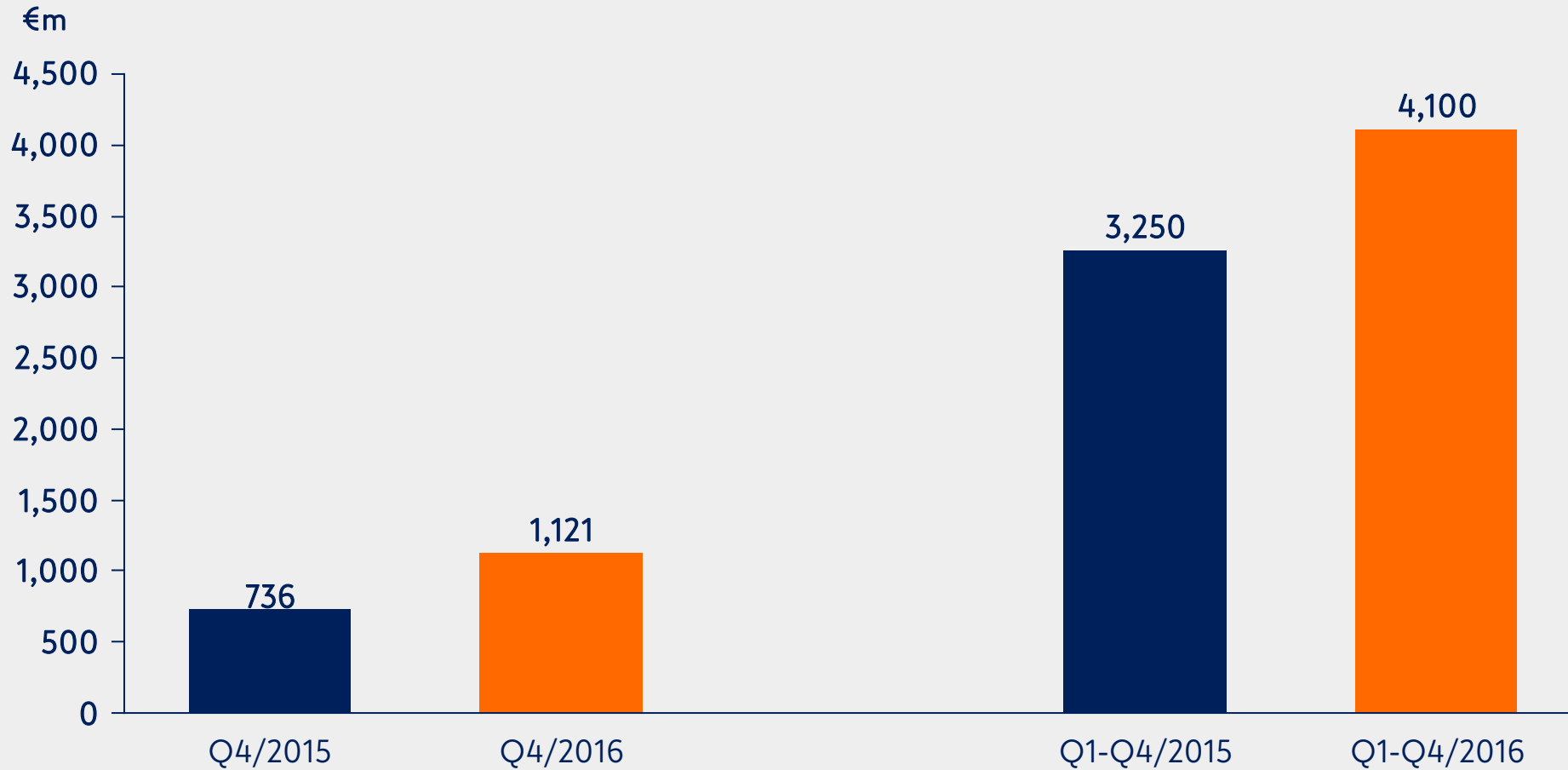
Building and technical trade in Q4

- Net sales growth 52.3%, in local currencies, excluding Onninen -0.7%
- Market share of Kesko's building and technical trade continued to strengthen especially in Finland
- Strong sales growth continued in B2B trade
- Full-year operating result of Swedish building and home improvement stores slightly positive
- Good profit performance in speciality goods trade
- In Finland, combination of K-rauta and Rautia into new K-Rauta

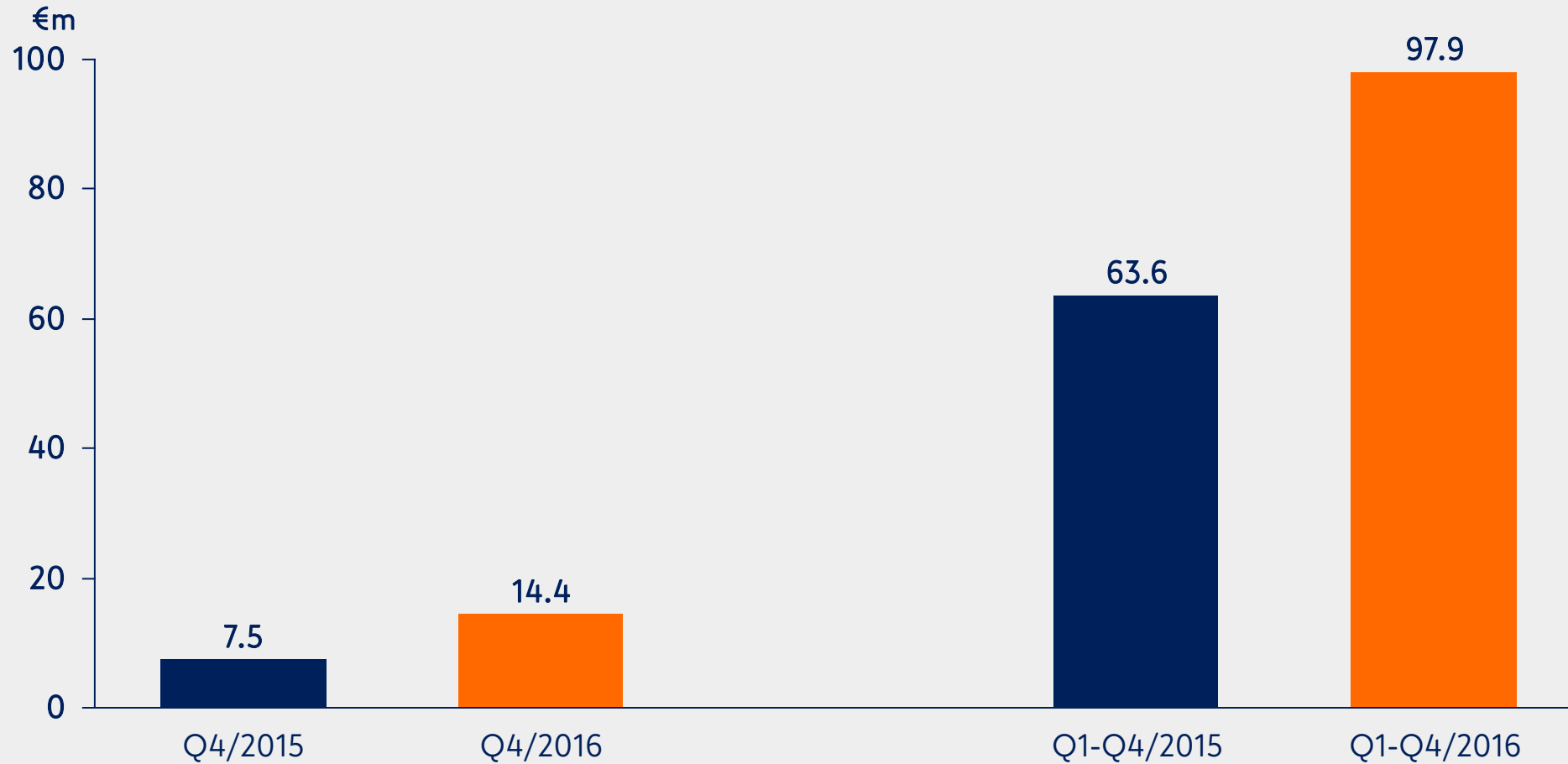


Net sales

Q4 growth 52.3%



Operating profit comparable





Car trade

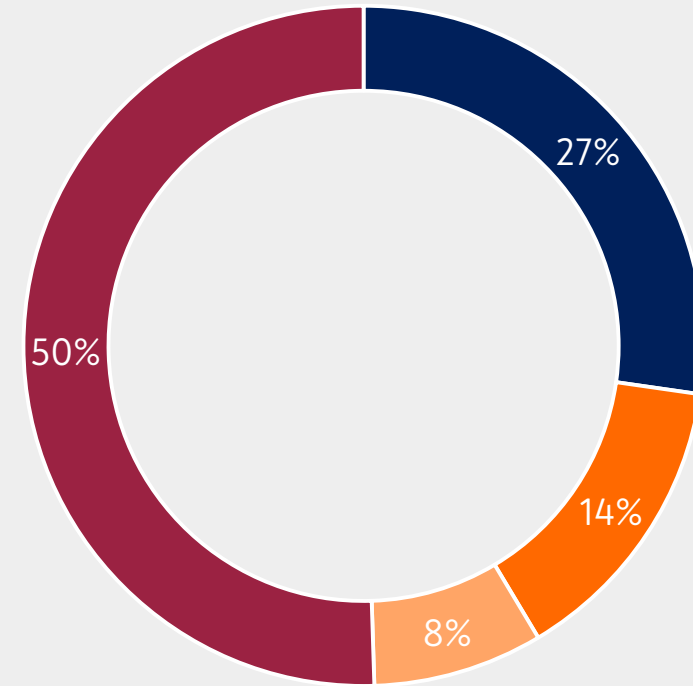


Car Trade

2016

Net sales	€849m
Operating profit*	€29m
Operating margin*	3.5%
Return on capital employed*	23.8%

* comparable



■ New car retailing

■ Used car retailing

■ After sales retailing

■ Importing / sales to dealers

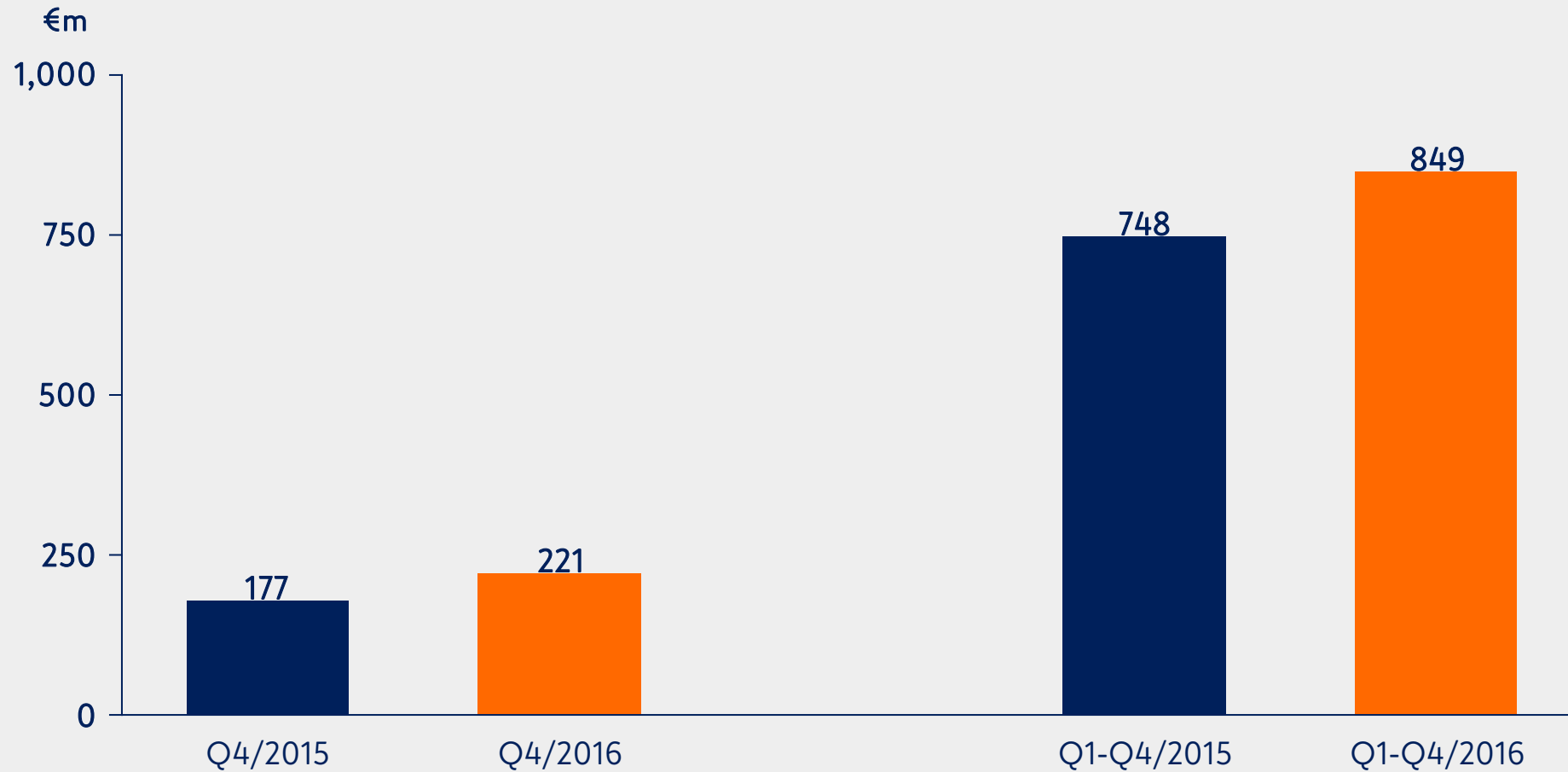
Car trade in Q4

- Net sales growth of the car trade 25.0%. Total car trade market increased markedly
- Profitability is growing strongly, operating profit €7.5m
- In 2016, first registrations of Volkswagen passenger cars were up by 2.6%, Audi by 12.7% and Seat by 36.4%
- Used car trade increased by 33.5%. New Caara.fi online store has got off to a strong start
- Order books were up 4%
- Porsche import and retailing transferred to Kesko

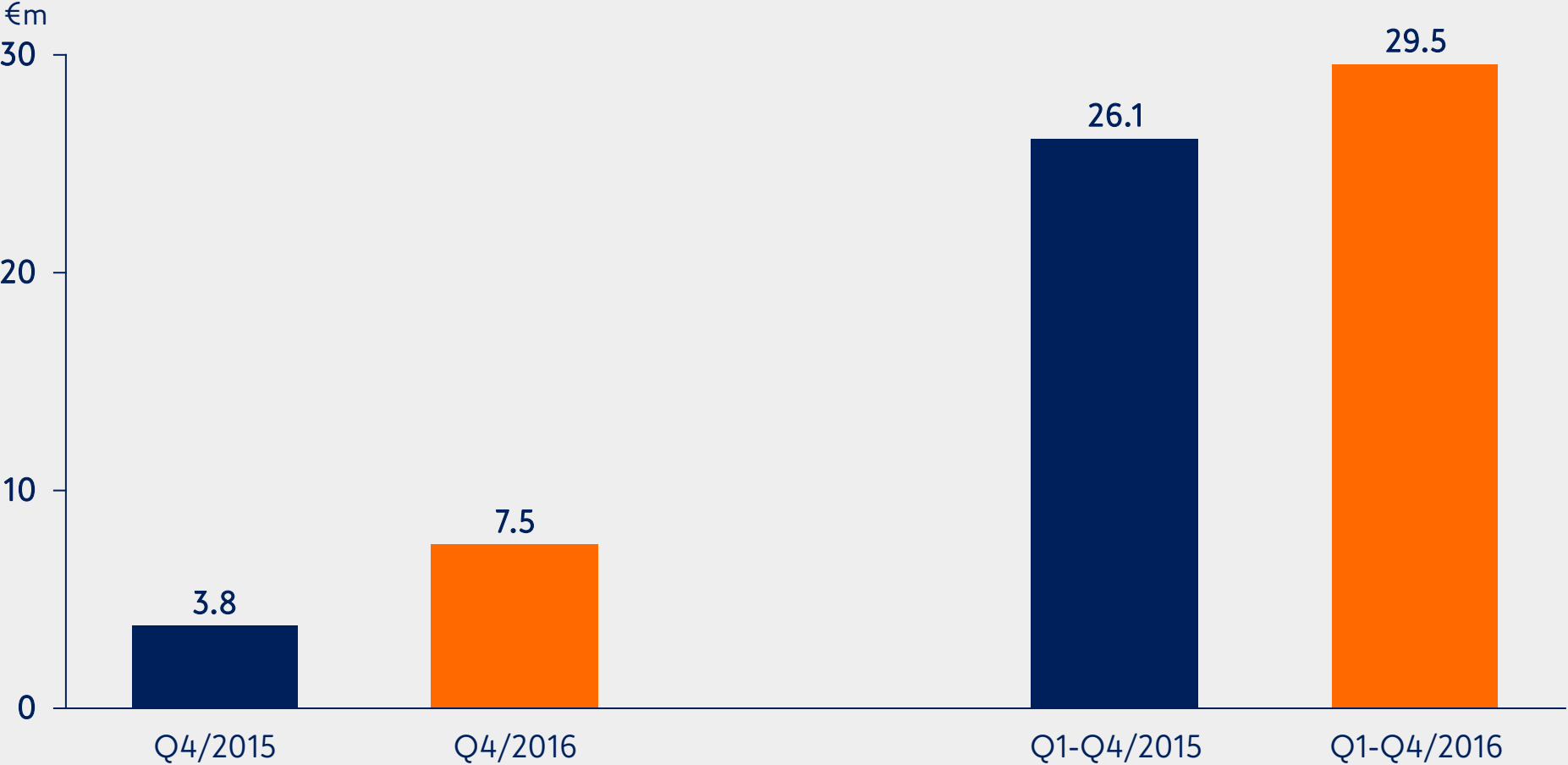


Net sales

Q4 growth +25.0%



Operating profit comparable





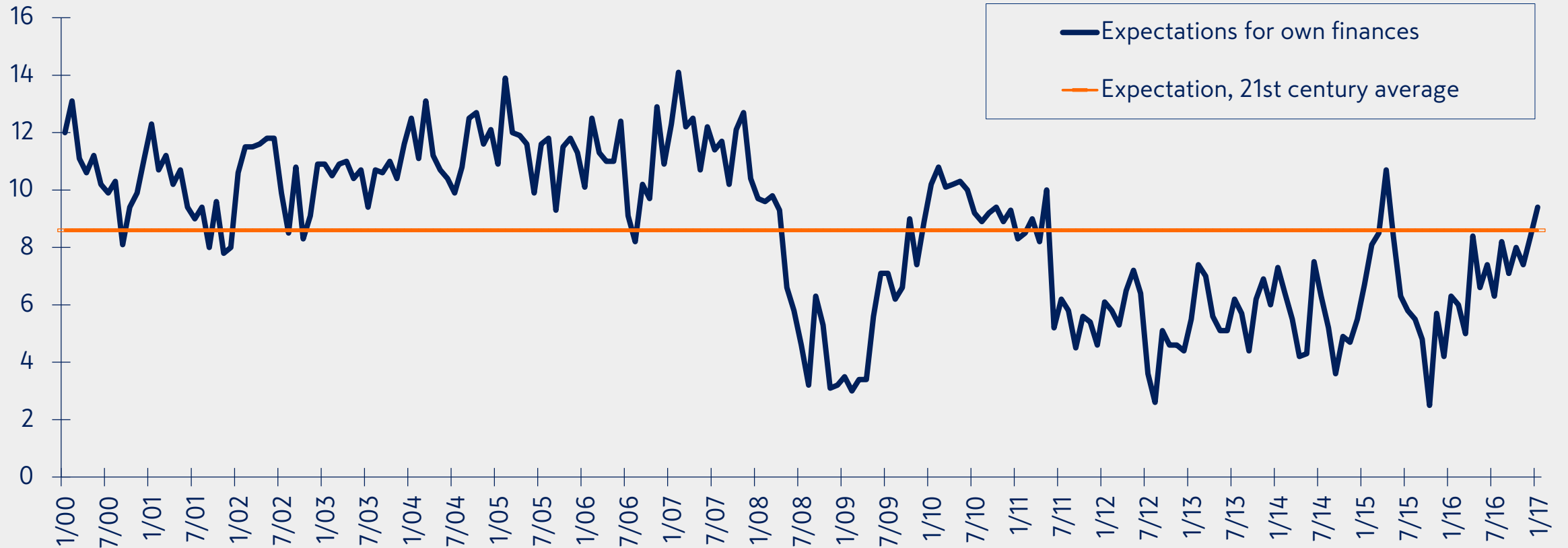
Outlook



Seasonal nature of operations

- Owing to seasonal fluctuations, the net sales and the operating profits of the grocery trade and the building and technical trade vary significantly by quarter
- In terms of the operating profit level, the second and third quarter are strongest, whereas the impact of the first quarter on the full year profit is smallest
- The acquisitions of Suomen Lähikauppa and Onninen increase the seasonal fluctuations between the quarters
 - The operating profit levels of Onninen and Suomen Lähikauppa are lowest for the first quarter

Consumer Confidence in Finland



Source: Statistics Finland

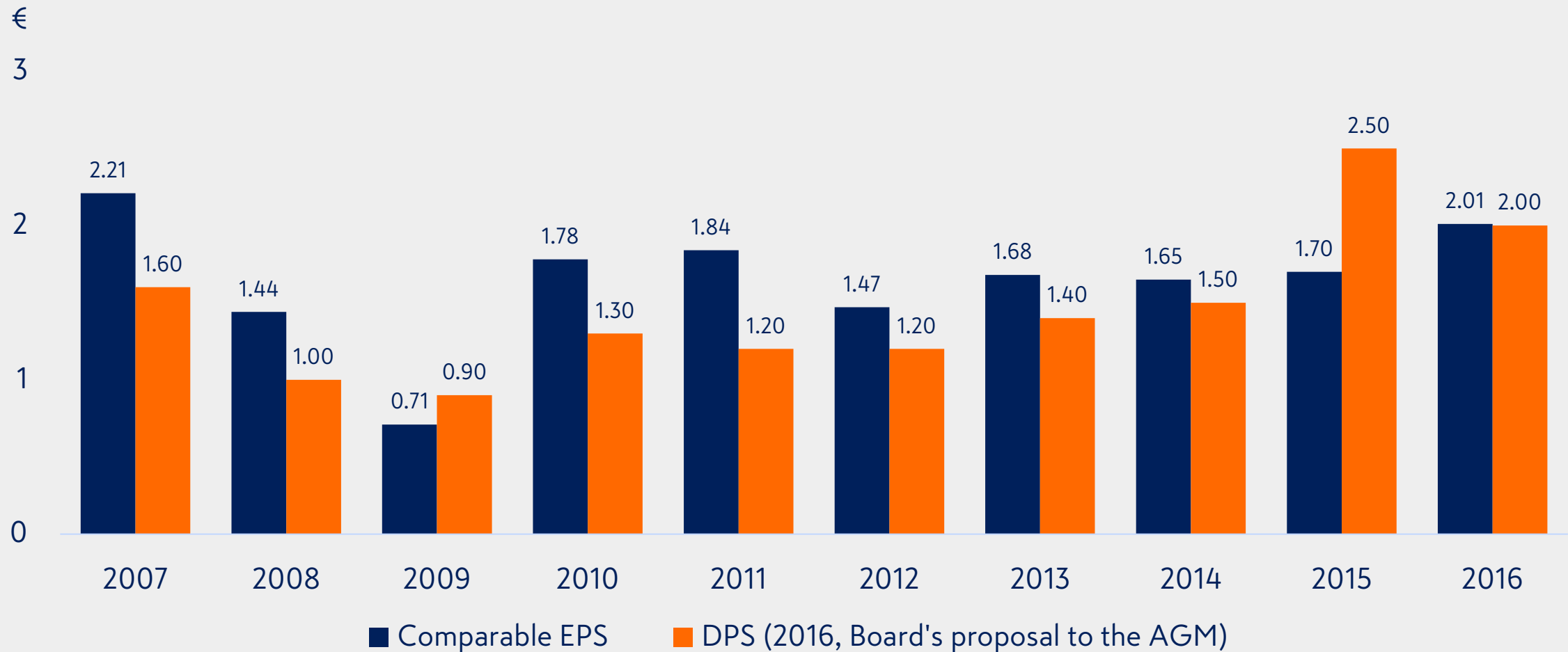
Outlook

Estimates for the outlook of Kesko Group's net sales and comparable operating profit are given for the 12-month period following the reporting period (1/2017-12/2017) in comparison with the 12 months preceding the end of the reporting period (1/2016-12/2016).

The general economic situation and the expected trend in consumer demand vary in Kesko's different operating countries. In Finland, the trading sector is expected to grow slightly. In the Finnish grocery trade, intense competition is expected to continue. The market for the Finnish building and technical trade is expected to improve slightly. In Sweden and Norway, the market is expected to grow but at a somewhat slower rate. The trend in the Russian market is expected to remain modest. In the Baltic countries, the market is expected to grow.

Kesko Group's net sales for 2017 are expected to exceed the level of the previous year. The comparable operating profit for 2017 is expected to exceed the level of 2016.

Board's dividend proposal to 2017 General Meeting €2.00



K-Group's renewal continues

- K-Group continues to become more focused: the grocery trade, the building and technical trade and the car trade
- Improvement of customer experience in both stores and digital channels
- Reform of the K-Citymarket, K-Supermarket and K-Market chains
- Integrations and synergies of acquisitions – Onninen, Suomen Lähikauppa and AutoCarrera
- Continuing improvement of the profitability of the building and technical trade
- Continuing improvement of cost-efficiency



The most sustainable trading sector company in the world

Davos, January 2015, 2016 and 2017:
'The Global 100 Most Sustainable Corporations
in the World' list





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